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Advertising, promotion, and the competitive advantage of interwar British department stores[1]

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Promotional activity proved key to the success of department stores in fending off competition from the expanding chain stores, by drawing in customers to their large, central premises. This article uses a combination of quantitative and qualitative archival data to examine the promotional methods of interwar British department stores, variations in the promotional mix between types of store, and returns to promotional activities. A number of distinct regional promotional strategies are identified, shaped by variations in the types of consumer markets served. We also find considerable policy convergence among stores towards using promotional activity primarily as a means of imprinting a strong institutional brand image in the minds of the consuming public.

The interwar period has been characterized as the 'golden age of advertising',[2] with a major increase in national advertising expenditure (partly reversed during the 1929–32 depression) and considerable developments in both the visual qualities of adverts and the sophistication of the marketing messages conveyed.[3] Yet there has been relatively little industry-level research regarding the motivations behind the expansion in advertising expenditure, variations in advertising strategies, the relationship between press advertising and other promotional media, and the returns to investment in advertising and promotion.

This article examines these issues with regard to the most important class of retailer-advertiser in interwar Britain, the department store sector. While even Pasdermadjian and the Retail Distributors Association (hereafter RDA)—who used a broader definition of department stores than that of Jefferys' seminal retailing study–put their share of national retail sales in the late 1930s at only 7.5 per cent, Kaldor and Silverman estimated that department and drapery stores represented 50.9 per cent of national advertising by retailers.[4] This was linked to

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[2] Nevett, *Advertising in Britain*, p. 145.

[3] For an overview of developments in the UK and US, see, for example, ibid., pp. 145–68; Turner, *Shocking history of advertising*, pp. 166–225; Olney, *Buy now pay later*, pp. 135–81; Marchand, *Advertising the American dream*.

[4] National retail sales data: Pasdermadjian, *Department store*, p. 116. Original source for British estimate: Smith, *Retail distribution*, pp. 49–51. Jefferys, *Retail trading in Britain*, pp. 59–61, 325–6, estimated their share of retail sales at 4.5–5.5% in 1939, using a more restricted definition of the department store as 'a large retail store with 4 or more separate departments under one roof, each selling different classes of goods of which one is women's and children's wear' (p. 326). Advertising data: Kaldor and Silverman, *Statistical analysis*, p. 10. The estimate excludes hotels and restaurants from retailing (these were included in the original tabulation for the retail sector).

the department store 'business model', which required promotion-intensive strategies. One of their key appeals was that of 'universal provider', stocking a vast range of goods which could satisfy all their customers' needs under one roof. Thus, unlike the multiple chains (from which they faced growing competition), department stores could not easily expand business via the proliferation of branches.[5] Instead they sought to increase throughput by drawing in more customers to their central locations, via extensive and elaborate advertising and promotional activity.

Success in maintaining customer flow was vital to their survival, as department stores had high fixed costs, which made profits very sensitive to sales volumes.[6] Yet in adopting a promotion-intensive strategy, they invested heavily in an activity that was notorious for the absence of any reliable method for measuring returns to investment. The quotation, 'I know half the money I spend on advertising is wasted; but I can never find out which half', attributed variously to John Wanamaker (the father of the American department store), Frank W. Woolworth, and the first Lord Leverhulme, was echoed in the internal policy debates of interwar British department stores. The major expansion of advertising and market research during the post-1945 decades did not bring any breakthrough in reliable techniques for appraising the impact and effectiveness of advertising campaigns.[7]

This article draws on both archival evidence and an extensive dataset of department store operating expenditures to analyse the various publicity strategies employed by British department stores. Unlike many studies, it focuses on promotion as a broad activity, incorporating press advertising, non-press advertising, direct mail, in-store displays, and crowd-pulling publicity stunts. We identify both considerable diversity in the weightings given to these activities between individual establishments (as stores sought to both capitalize on specialist staff and distinguish themselves from their competitors) and the presence of pronounced regional differences. The survival of a substantial proportion of the original returns from a major contemporary survey of British department stores makes it possible to quantify these trends and examine the impact of promotional expenditure and strategies on store performance. We find that the returns to advertising and promotion were substantial, but varied considerably by region, according to patterns of press readership and urbanization.

I

Department stores used a range of promotional media to draw in customers. These can be classified (and were classified by contemporaries) under four broad headings: press advertising; direct mail; other advertising (which included both non-press adverts—on vehicles, at the cinema, in theatre programmes, etc., and physical events such as exhibitions, demonstrations, and crowd-pulling publicity stunts); and store window and interior displays.

Press advertising constituted the largest single category of promotional expenditure. It was widely regarded as the main form of advertising, and was easily

[5] During this period there was a significant amalgamation movement among department stores. However, in most cases the constituent stores retained their separate identities and there was very little managerial coordination across the new groups, with the exception of some moves towards collective purchasing.

[6] Pasdermadjian, *Department store*, p. 55.

[7] See, for example, Corkindale and Kennedy, *Measuring the effect of advertising*.

accessible for smaller stores without in-house specialist staff through the use of advertising agents. Press advertising guaranteed that the store's messages would reach a very wide audience (though not always one that was closely targeted to the specific geographical or socio-economic market the firm wanted to reach). Some authors have suggested that stores over-invested in press advertising compared to alternative promotional media. Lomax argued that the independent and professional status of advertising agents helped them persuade retailers to divert an unduly large proportion of their marketing budgets to press advertising—at the expense of other promotional activities such as display, whose advocates were internal employees, who lacked comparable status and prestige.[8]

There were also indirect pressures favouring newspaper adverts over other promotional media. Heavy press spending fostered positive editorial coverage; as John S. Lewis noted, 'the Press is a useful friend and an inconvenient enemy . . . there is something of a family feeling between the Press and large advertisers'.[9]Among the national papers, even the left-leaning *Daily Herald* faced internal pressure from its advertising manager to refrain from criticizing known advertisers.[10] Meanwhile newspapers devoted generous coverage to fashion-related topics, partly in the knowledge that department and drapery stores represented their largest class of advertiser. Content analysis of the women's pages of five national daily newspapers by Bingham estimated that some 43 per cent of column inches were devoted to fashion topics.[11]

Direct mailings offered department stores a more targeted medium for getting their marketing messages to particular audiences. Account customers' address details could be used to develop mailing lists, while other 'screening' methods could be applied to mailings targeted at new customers. For example, when selecting 32,000 households to receive copies of their brochure 'Heal's Economy Furniture for 1932 and All That', the prestigious London store Heal's targeted London and Home Counties' houses with telephones, and annual rental values of £50–100 (and flats of up to £140).[12] Direct mailings were also used as an instrument of 'relationship marketing', with department store circulars often adopting a 'confidential style' (written so as to give the appearance of a personal letter).[13]

Direct mail included both leaflets advertising particular sales or product lines, and mail order catalogues. Catalogues sometimes ran to 100 pages or more and were lavishly illustrated, often using colour pictures or other high-quality illustrations. The most extensive sometimes became, in effect, a virtual representation of the store. Catalogues allowed stores both to extend their geographical reach beyond their normal catchment areas and to meet competition from expanding mail order retailers such as Kay's, Littlewoods, and Great Universal Stores. This

[8] Lomax, 'Department store', pp. 277–9.

[9] John Lewis Partnership Archives, Stevenage (hereafter JLPA), 111/8, memorandum by John S. Lewis, 15 June 1927.

[10] Bingham, *Gender*, p. 91.

[11] Ibid., pp. 147–8, 249–51.

[12] Victoria and Albert Museum Archives, London, AAD/1978/2/6, Heal's Board minutes, 22 March 1932. Heal's trade was based around furniture and it would not have qualified as a department store under Jefferys's definition (though it probably would under some broader definitions used by contemporaries).

[13] JLPA, 592/7, file of examples of Selfridges Provincial Stores' 'confidential' advertising style, *c*. 1920–30. For a discussion of department stores' early use of relationship marketing, see Tadajewski, 'Relationship marketing'.

was of particular importance during the interwar period, when many department stores moved towards serving a new ‘mass’ (lower middle- and working-class) market, in direct competition with the mail order houses. Catalogues also played an important informational role—many being sent seasonally, for example, to advertise new fashions.

Mail order advertising had the advantage that orders in response to catalogues and circulars were directly measurable. Major central London department stores relied on mail order for a significant proportion of turnover; for example, mail order business averaged 16.8 per cent of Harrods’ total sales over the five years to 31 January 1932.[14] Meanwhile, stores appreciated that these also stimulated further trade via personal visits from recipients; customers from the London suburbs and outside the London area accounted for 25.1 per cent and 21.7 per cent of Harrods’ sales (including mail order), respectively.

Non-press advertising in theatre programmes, promotional films in cinemas, and via posters on trams, buses, and hoardings had similar advantages to direct mail in that they targeted a more specific audience than press adverts. A poster in one of London’s mainline railway stations could more immediately impact on the shopping decisions of a visitor arriving from the provinces than an advert seen earlier in a national newspaper, while those viewing a poster on the side of a bus routed along Oxford Street would include a still higher proportion of people who were likely to visit a department store on the day in question.

Publicity stunts played a much more important role in department store promotion than was the case after 1945. These were particularly useful for stores with a large potential catchment area relative to their normal customer flow, such as outer London suburbs with good arterial road access. Gordon Selfridge, who introduced many key American retailing innovations to Britain with the opening of his London store in 1909, is credited with having brought American-style showmanship to the British department store. During his first year he exhibited all the pictures rejected for the Royal Academy Summer Show on his third floor and displayed Bleriot’s plane the day after it had crossed the Channel (drawing over 150,000 people in four days).[15]

By the 1930s, department store demonstrations, exhibitions, and publicity stunts had reached an all-time peak, including events which have passed into local folklore. One of the most famous practitioners was Bentall’s of Kingston on Thames, which enjoyed a new road-borne market thanks to the opening of the Kingston Bypass. Under its new publicity director, Eric Fleming, a number of crowd-pulling events were regularly sprung upon an appreciative public, ranging from displaying world speed record holder Sir Malcolm Campbell’s *Bluebird* automobile to performances by Anita Kittner—a young Swedish woman who dived from a platform 63 feet above the escalator hall into a small pool of water.[16] Bentall’s found such stunts particularly valuable in drawing in a potentially huge customer base from London and its south-western hinterland, who would not necessarily otherwise visit Kingston.

[14] Pasdermadjian, *Department store*, p. 51; Harrods Company Archive, London (hereafter HCA), HF9/3/4, chief accountant’s report for 1931/2.

[15] Lancaster, *Department store*, p. 80.

[16] Bentall, *Store of memories*, pp. 147–67.

Another celebrated department store impresario was Jimmy Driscoll, manager of Kennards of Croydon (of the Debenhams group) on London's southern borders. Driscoll once appeared in court for obstructing the shopping centre after a stunt involving two elephants borrowed from a circus to promote a 'Jumbo' birthday sales event. This was one of many crowd-pulling innovations by Driscoll to promote sales and bargains, including managing director's 'blue pencil' days, where he would lead a column of shoppers through the store, slashing prices with a blue pencil as he passed along the sales floor.[17] A more prosaic, but probably more typical, example was Broadbents of Southport—a seaside town in Lancashire—which expanded turnover during the 1930s through increased use of 'special events', 'birthday celebrations', bargain offers, and free gifts, reinforced by periodic sales and demonstrations.[18]

Stores commonly hosted exhibitions (usually on their less lucrative upper floors). Sometimes these were linked to merchandising; for example, in March 1938 Lewis's Birmingham store exhibited all the furnishings for a four-room house, designed for a family with an income of £3 per week, for £65, together with a five-room house, for a family on £5 a week, furnished for £165.[19] Stocking new electrical consumer durables in advance of substantial demand had a similar crowd-pulling effect, contributing to the department stores' role as leading distributors of radios and other electrical goods.[20]

The final class of promotional expenditure involved window and in-store displays. Display was organizationally and professionally distinct from conventional advertising. Larger department stores generally had display departments, which competed for promotional budgets with advertising departments and were staffed by people with separate skills, training, aesthetics, and professional organization to the company's advertising staff.[21] Display expenditure was particularly important for the expanding 'popular' stores, as it constituted a key element of their sales formula and marketing appeal. Yet there was also a more general move towards increased emphasis, and expenditure, on display, both owing to the trend towards a relaxed, 'walk-round' shop atmosphere and the transition towards 'institutional' rather than product-based promotion, as discussed below.

II

The interwar period witnessed heated debate (both within individual stores and among the trade in general) regarding the objectives of promotional activity; the styles, formats, and media of advertising and promotion; and their effectiveness. These were closely linked to wider debates regarding changes to the department store 'marketing mix', to meet new market and competitive conditions.

The traditional model of British department store selling had involved drawing in customers via extensive displays of merchandise in store windows. These were then guided to the correct department by the floor walker—who had the dual functions of 'human signpost' and 'policeman' (to avoid time-wasting and other

[17] Corina, *Fine silks and oak counters*, pp. 117–18.
[18] Porter, 'Development of a provincial department store', p. 71.
[19] Jeremiah, *Architecture and design*, p. 95.
[20] Lancaster, *Department store*, pp. 96–8.
[21] Lomax, 'Department store', pp. 277–80.

undesirable customers). They then received formal, counter-based service from sales staff who presumed that customers would have a definite intention to buy some specified product.

Isolated moves away from this formula were already evident by the Edwardian period. Stores in the north of England with a mass-market clientele, such as Fenwick's of Newcastle and Binns of Sunderland, introduced 'silent sales assistants' to display goods without the intimidating mediation of the sales assistant.[22] However, the major breakthrough occurred in 1909, with the arrival of Gordon Selfridge onto the London department store scene. The contrast was evident from the shop window, the new 'open' school of window dressing being used to advertise the store, rather than particular merchandise. Having entered Selfridges, the customer would then view the goods on sale via in-store displays and would be free to wander round and select items at leisure, without being over-bothered by the sales staff.[23]

Like his shop windows, Selfridges' in-store displays, advertising, and other promotional activities were used to create a strong brand image for his store, marking the introduction of the American 'institutional' (or in modern parlance, relationship marketing) promotional style—based around advertising the store as a distinctive brand and aiming to foster a long-term relationship with customers, rather than maximizing immediate sales.[24] The 'look' of advertisements was modified, with the employment of professional writers and experiments with a greater proportion of white space in his copy, to make Selfridges' advertisements instantly recognizable.[25] This strategy was pursued with a level of promotional expenditure that both dwarfed his competitors and rapidly provided a benchmark for their own budgets.[26] Department store expenditure on advertising and printing, as a proportion of total sales, is estimated to have increased to 2.3 times its 1913 level by 1921, to 3.16 per cent, a level roughly similar to that maintained over the 1930s.[27]

Selfridges' success sparked a wider transformation in British attitudes towards department store advertising, promotion, and display. For example, in 1926 Frank Chitham of Harrods stated that advertising should: 'have a far wider function than merely selling goods—its greater mission in future will be to advertise the store as well as—or instead of—its merchandise'.[28] Chitham was concerned about growing competition from the multiple chain stores, which enjoyed particularly strong branding through a well-developed 'corporate style' that gave each branch a near-identical sales appeal and thus built up customer loyalty. As he later wrote, variety chains such as Woolworths and Marks & Spencer, 'have become a kind of social centre . . . Visiting them is to many people a form of inexpensive recreation,

[22] Lancaster, *Department store*, p. 69; Lomax, 'View from the shop', p. 280.
[23] Lomax, 'View from the shop', p. 278.
[24] Tadajewski, 'Relationship marketing'.
[25] Lancaster, *Department store*, p. 74.
[26] Pound, *Selfridge*, pp 190–1.
[27] Data for 1913–21 are from Dunlop, 'Retail profits', p. 367 (based on RDA data). While the 1931–8 estimates (from Plant and Fowler, 'Analysis' (1938–9), p. 29; Retail Distributors Association, *Annual report*, p. 7) may not be directly comparable—as Dunlop's source includes no details regarding exactly what items were included under 'advertising and printing'—these suggest that promotional expenditure in the 1930s averaged 3.05% of sales.
[28] HCA, HS9/1/49, visit of Retail Research Association to Harrods, 22–9 May 1926, 'Suggestions for reducing costs in the distributive trades', paper by Frank Chitham.

a mild excitement and has become to countless thousands a favourite way of spending time and money'.[29]

One cornerstone of the variety stores' appeal was the use of modern display techniques. Making all goods available for inspection without reference to a sales assistant, and with clearly marked prices, was key to attracting customers who had limited incomes and feared the embarrassment of being asked for a higher than expected payment. Among the department stores, the new approach was most strongly embraced by those serving the 'mass market'. Lower middle- and working-class customers (who constituted a substantially larger share of consumers' expenditure than during the pre-1914 period) were drawn in by a less formal atmosphere, extensive use of displays to increase product visibility, and clear signposting to replace the floor walker's role as 'human signpost'.[30] Sales staff were told to maintain a discreet distance and wait for the customer to approach them. As the staff rules for Frasers of Glasgow noted: 'Some customers come in "just to look around" . . . It should be remembered at all times that Customers are the shop's guests . . . '. Thus a suitable greeting was 'Good morning madam', rather than 'Is there anything you require?', which implied an obligation to purchase.[31]

Stores serving a more upmarket clientele were slower to abandon an established retailing formula which suited their customer base. For example, Sir Frederick Richmond—chairman of the Debenhams group—disapproved of 'popular shopkeeping' based around new display techniques, sales events, and price cutting.[32] Yet while the group's prestigious London stores and a few upmarket provincial stores were protected from the new methods, he did not stand in the way of such developments in the group's 'C' (popular provincial) stores. Here managers very profitably 'splashed whitewash messages across their windows and replaced carpets with lino and low-cost fittings . . . glass cases replaced wooden counters'.[33]

The new display techniques also provided an opportunity to show goods within their broader context. 'Ensemble' or 'assembly' selling, where—for example—complete outfits of clothes, or room sets of furniture, were displayed together, proved particularly popular with customers who were not comfortable with relying on shop assistants (with their own agendas of maximizing sales and/or shifting slower stock) for advice. A ready-made look also appealed to customers who lacked the self-confidence to rely on their own judgement of what items would go together.[34]

The new philosophy encouraged a re-examination of press advertising strategy. Chitham demonstrated some scepticism regarding the returns to advertising, noting that the expanding multiples and cooperatives generally had minimal advertising budgets.[35] Harrods' 1925 ratio of advertising expenditure to sales, 2.89

[29] HCA, HS 9/1/17, Frank Chitham, 'London department stores: their organization and the effect of competition on their present position and future prospects', report, 22 June 1938.

[30] Lomax, 'Department store', pp. 57–64.

[31] Glasgow University Archive Service, Fraser & Son, HF/25/7/1, regulations, 1920s, cited in Lomax, 'Department store', pp. 64–5.

[32] Corina, *Fine silks and oak counters*, p. 116.

[33] Ibid., pp. 116–17.

[34] Lomax, 'Department store', pp. 65–6.

[35] HCA, HS9/1/49, visit of Retail Research Association to Harrods, 22–9 May 1926, 'Suggestions for reducing costs in the distributive trades', paper by Frank Chitham.

per cent, was believed to be the lowest of the large London stores.[36] Even Selfridges began to question the emphasis on press advertising. For example, a report on the group's Northampton store, Brice & Sons Ltd., noted that recent heavy press advertising had not been worthwhile:

> The Press men say that although we cannot key results from these ads., 'we are keeping our name before the Public.' Well, I think we could do that equally as well with smaller space, and the use of the rest of the appropriation in direct mailing form letters, booklets, window displays, window lighting after hours and demonstrations.[37]

The John Lewis group took an even more sceptical view. In June 1927, following experiments with a substantial advertising campaign for their Peter Jones store, their chairman John S. Lewis proposed that the group should give up advertising in favour of an alternative strategy of plastering the group's stores, delivery vans, etc. 'with a notice that "we do not advertise: we sell cheap instead" '.[38] He concluded that, 'the only justification for going on is a mere belief that if we spend the same amount year after year our advertisements will become more and more fruitful. I doubt this extremely'.[39] Furthermore, evidence collected by their Intelligence Department indicated that their competitors both provided poorer value and made:

> regular policy statements which they must know that many of their customers will discover to be untrue. It seems to me quite unlikely that they would thus sell dear and damage their own reputation for good faith if they could advertise profitably without doing so and that, since we shall certainly never do either, we had better leave advertising alone and follow the policy of John Lewis & Co. and Bourne & Hollingworth . . . of having a reasonably good position for window trade and taking great care to give really good value.[40]

As table 1 shows, John Lewis and Peter Jones spent only a fraction of the percentage of sales revenue that most of their competitors devoted to advertising and promotion, while most of this was devoted to display. However, the group found other ways to publicize their low prices—which constituted the cornerstone of their marketing appeal, despite the Partnership's relatively 'high-class' customer base.[41] For example, in 1931 John Lewis flouted resale price maintenance by discounting price-maintained brands. When the manufacturers cut off supplies, they purchased new stock from wholesalers, which was again discounted, the incident being publicized as an illustration of the Partnership's low prices.[42] However, one area where the firm was prepared to spend money was promotional display—with a display-to-sales ratio at its John Lewis and Peter Jones stores roughly equal to that of Harrods.

[36] HCA, HS9/1/49, visit of Retail Research Association to Harrods, 22–9 May 1926, report of presentation by C. E. Wiles, 'Harrods publicity policy and practices'; Report of Retail Research Association Group no. 7 (Hugh Arthur, chairman, J. G. Bullock, and J. Taylor) on Harrods' Advertising and Display, May 1926.

[37] History of Advertising Trust, Selfridges Archives, SEL 1095, report on Brice & Sons Ltd. for Gordon Selfridge, n.d., *c.* 1926, unsigned.

[38] JLPA, 111/8, memorandum by John S. Lewis, 15 June 1927.

[39] Ibid.

[40] Ibid. Bourne and Hollingsworth opened in 1894 and only commenced advertising in 1952; Nevett, *Advertising in Britain*, p. 74.

[41] JLPA, 316b, paper by Paul Jones, 4 Sept. 1926.

[42] Moss and Turton, *Legend of retailing*, p. 141.

Table 1. *Department store sales, net margins, and disaggregated promotional expenditures*

Region	Anonymous identifier	Store	Net sales (£)	Net margin (£)	Advertising expenditure*				Display*	Total promotion*
					Press	Direct mail	Other	Total		
London (West End and Central)	o1	D. H. Evans	1,244,335	118,646	0.62	2.39	0.13	3.28	0.51	3.79
	o2	Dickins & Jones	941,921	60,686	2.00	2.31	0.13	4.59	0.41	5.00
	o12	Harrods	6,316,076	86,698	1.03	0.99	0.22	2.35	0.20	2.55
	o14	John Lewis	1,859,470	227,263	0.02	0.01	0.05	0.08	0.20	0.28
	o15	Peter Jones	728,214	256,022	0.07	0.03	0.06	0.15	0.21	0.37
	o10	Selfridges	4,727,008	86,375	2.04	0.38	0.51	3.02	0.51	3.54
London (suburban)	p9	Kennards (Wimbledon) Ltd	145,668	12,823	0.29	0.46	0.36	1.12	0.29	1.40
Southern provinces	n28	Bentall's Ltd, Kingston-upon-Thames	1,986,259	424,183	1.62	0.14	0.12	2.02	0.87	2.90
	n3	Palmers (Great Yarmouth) Ltd	109,009	12,823	0.58	0.54	0.02	1.18	0.31	1.49
Wales, Scotland, N. England	q6	Marshall & Snelgrove, Harrogate	131,854	131,854	0.90	0.00	0.15	1.16	0.09	1.26
	q20	Marshall & Snelgrove, Leeds	246,468	15,008	1.04	1.72	0.00	3.05	0.55	3.60
	q21	Marshall & Snelgrove, Scarborough	82,235	2,780	0.50	0.70	0.00	2.24	0.71	2.96
	q24	Marshall & Snelgrove, Sheffield	22,521	1,238	0.46	0.29	0.25	1.00	0.42	1.42
	q25	Marshall & Snelgrove, York	12,012	847	0.35	0.72	0.00	1.07	0.07	1.13

Notes: * Average advertising expenditures, display, and total promotional outlays are expressed as a percentage of net sales.
Sources: The data are derived from individual returns from Plant and Fowler, *Operating costs*, for the years ending 31 Jan. 1932 and 1935–7, held at the British Library of Political and Economic Science Archive, London, Coll Misc. 0330. As the data are anonymous, stores have been identified by matching data contained in *Department, chain, co-operative store annual*, and from the Harrods Company Archive and JLPA. The anonymous identifiers from the original returns are provided for ease of reference.

The John Lewis Partnership also retained a preference for the earlier style of informative window displays, advertising the stock rather than the store.[43] This approach had much in common with the Partnership's opposition to press advertising—both flashy adverts and flashy window displays detracted from its sober market image as a provider of good-quality, keenly-priced merchandise. While it ran counter to what was successful elsewhere, it may have paid dividends through allowing the Partnership to project a strong and unique brand image of low prices and solid respectability, differentiating it from its 'modernizing' counterparts in the highly competitive central London market.

John Lewis's fears regarding the dubious reputation of press advertising and its negative reputational impact were echoed by a number of other stores, at a time when advertising was not effectively regulated by either legislation or industry codes. The Lewis's of Liverpool group publicly condemned misleading advertising and gave its support in the mid-1930s to a national campaign to regulate the description of goods in advertisements.[44] Similarly, Chitham privately condemned:

> constant overstatement, if not actual misrepresentation of values. Bankrupt stocks bought at 30 per cent. Goods offered at 40 per cent below cost, Half Manufacturers' prices, and so on from day to day. We see it and say nothing . . . But when this kind of thing is occupying nearly three times as much space as our own announcements, and in the same papers, it is, to put it mildly, trying.[45]

III

Department store promotional expenditure can be examined quantitatively, owing to the systematic collection of establishment-level data. Drawing on the experience of a similar industry/academic collaboration in the United States,[46] Sir Arnold Plant and R. F. Fowler at the London School of Economics undertook a series of surveys of the operating costs of British department stores, in conjunction with the RDA and with the assistance of the Bank of England. These surveys, conducted annually from 1931 to 1938,[47] achieved an average sample size of 109.1 stores, involving around 20 per cent of all British stores and a considerably larger proportion of aggregate store turnover.[48] Participants included the great majority of the better-known British stores, the sample covering establishments with average annual sales of over £50 million, and around 45,000 employees.[49]

The surveys provide a detailed breakdown of promotional expenditure, divided into the following categories: impersonal (non-labour) expenditure on press advertising, direct mail, other advertising, and display; and personal (wage and salary) expenditure on advertising in general and on display. Detailed definitions for each category are provided in appendix 1. As personal expenditure on advertising was not differentiated by function, this is excluded from the following analysis.

[43] Lomax, 'View from the shop', p. 283.
[44] Briggs, *Friends of the people*, p. 150.
[45] HCA, HS9/1/49, visit of Retail Research Association to Harrods, 22–9 May 1926, report of presentation by C. E. Wiles, 'Harrods publicity policy and practices'.
[46] See McNair and May, 'American department store'.
[47] Each survey covered the 12 months to 31 Jan. of the following year.
[48] Jefferys, *Retail trading in Britain*, p. 59.
[49] Plant and Fowler, 'Analysis' (1939), p. 124.

However, personal expenditure on advertising was not substantial relative to impersonal expenditure (accounting for only 5.1 per cent of general advertising expenditure for all stores surveyed during 1937). Conversely, personal expenditure on display, which is included in the data, formed a much larger proportion of total display expenditure (39.7 per cent in 1937).[50]

Despite the survey returns being anonymized, it proved possible to identify contributing stores in the Harrods group, together with the John Lewis Partnership's John Lewis and Peter Jones stores, from returns preserved at the respective firms' archives. Some additional stores could be identified from information published in the directory *Department, chain, co-operative store annual*.[51] However, as a positive identification required a very close match with both the store's floorspace and workforce, and most stores did not publish full data in this directory, identification was limited to only a few stores.[52]

Table 1 shows data for the stores that could be positively identified. These reveal a diverse range of promotional strategies. Within central London, D. H. Evans and Dickens & Jones (both part of the Harrods group) had strategies of high promotional expenditure, with direct mail as the largest single component. Selfridges was more heavily weighted towards press advertising, while Harrods devoted proportionately less revenue to publicity and invested roughly equally in press advertising and direct mail. Yet in absolute terms Harrods spent much more on direct mail than the other stores shown, and had the second-largest press advertising budget. Its lower expenditure relative to sales may thus largely reflect economies of scale in advertising (a factor also important with regard to Selfridges).

Conversely, the John Lewis Partnership is shown to have had a radically different strategy. John Lewis and Peter Jones had very small promotional budgets, with virtually no press advertising and expenditure highly weighted towards display. They relied instead on their strong brand image of frugal respectability, underpinned by their 'never knowingly undersold' policy, to develop a distinct, unusual, and successful competitive position as an upmarket store with an essentially price-based customer appeal.

Kennards of Wimbledon and Bentall's of Kingston (which was classified as a southern provincial store but was located on the fringes of London) provide two classic cases of stores that relied on publicity to widen their market appeal beyond customers who would automatically be drawn to their shopping pitches. Both relied relatively heavily on display, while Kennards devoted an unusually high proportion of its promotional budget to non-press advertising. Bentall's also spent heavily on press advertising, probably reflecting its large size (outranking some central London stores), which opened the door to advertising in the London-wide papers. Meanwhile the southern provincial store Palmers had a relatively low promotional budget, again showing a heavy weighting towards display.

The northern provinces are only represented by Marshall & Snelgrove's provincial stores. This group (part of the Debenhams empire) was atypical in that the same name was used for all stores, making it more like a chain store than a typical

[50] Plant and Fowler, *Operating costs*, report for year ending 31 Jan. 1938.
[51] *Department, chain, co-operative store annual*.
[52] The process was further complicated by the fact that the workforce data for some stores included workers undertaking non-retail activities.

department store grouping, where stores retained their original names. However, this was not entirely unique, Lewis's also having a series of branch stores bearing its name. Marshall's substantial Leeds store had a promotional budget similar to that of some major central London stores, with expenditure highly weighted towards direct mail. Its Yorkshire branch stores had lower expenditures, particularly for direct mail and press advertising. However, as all these carried the same name and were in the same county, differentiating promotional expenditure by store may be more difficult than is generally the case for this sector.

Surviving returns from the surveys provide a much broader (though anonymized) sample for four years, 1931 and 1934–6 (covering the 12 months to 31 January of the following year). These were classified into four 'regions': the central shopping districts of London (West End and central), the London suburbs, the southern provinces, and the 'northern' provinces—including Scotland, northern England, the midlands, and Wales.[53] Pooling the data for the four years where some returns survived provides a large dataset, with a total of 198 entries and a minimum sample size of 32 for each region.[54] These entries represent a total of 107 separate stores.

Table 2 provides descriptive statistics for the sample, covering key variables relating to net sales and margins, promotional media, as well as regional and store socio-economic class variables. This table also details the regional and 'class' distribution of the dataset. It was general practice to divide department stores into those catering for lower–middle income and middle–higher income households. Stores in the first class were said to compete mainly on price, and the second in terms of quality and service.[55] For example, in the mid-1930s the Debenhams group divided stores into 'A' (high class), 'B' (popular–medium class), and 'C' (popular).[56] Low–medium-class stores had lower average unit prices for their goods and had to generate a much higher volume of transactions to secure the same turnover.

Regional differences in promotional expenditure and advertising media are strongly reflected in the data. Central London and the northern provinces had relatively high promotional expenditures compared to the London suburbs and southern provinces. This was due to their much heavier press advertising, which was in turn strongly influenced by regional differences in newspaper readership. The larger London stores found it worthwhile to target national newspapers, which had disproportionately high sales in London, the south-east, and adjacent regions—as illustrated by market research surveys of newspaper readership, conducted from the late 1920s. For example, the 1936 London Press Exchange *Home Market* survey found that national daily newspaper readership fell from 106.5 copies per hundred families in London and the south-east to only 41.5 in Northumberland and Durham and 38.5 in Scotland. Central London department stores also enjoyed a particularly large market, which extended well beyond

[53] Cohen, 'Costs of distribution', p. 5. Data for Scotland were separately classified in the returns but not in the surveys. As very few Scottish stores were included in the survey we have followed the published survey's practice of grouping these in with the northern provincial category.

[54] The 216 observations include 34 West End and central stores, 40 suburban London stores, 57 stores from the south of England, and 85 stores in the 'North'. By comparing the sample descriptives with tables provide by Plant and Fowler ('Analysis', 1938–9 and 1939) we are able to establish that the surviving sub-sample of their study is representative of their wider study.

[55] Pasdermadjian, *Department store*, p. 84.

[56] Corina, *Fine silks and oak counters*, pp. 111–15.

Table 2. *Descriptive statistics (*N = *191)*

	Mean	*Std. Dev.*	*Min.*	*Max*
Net sales	476,459.00	849,810.90	10,540	6,506,207
Gross margin	145,192.40	262,830.50	3,253	2,035,197
Total expense	114,597.90	202,409.10	3,080	1,623,418
Net margin	30,594.53	63,600.24	137	424,183
Total advertising	11,864.13	22,955.22	17	156,784
Press advertising	6,752.89	14,554.64	17	112,956
Direct mail advertising	4,537.32	10,310.73	0	86,929
Other advertising	1,363.19	3,128.22	0	25,299
Display	2,379.81	4,010.88	0	26,797
Regional employment (%)	85.50	6.50	75	93
Regional distribution (%)				
Southern provinces	26.39	0.44	0	100
London (suburban)	18.52	0.39	0	100
London (Central and West End)	15.74	0.37	0	100
Northern England, Wales, and Scotland	39.35	0.49	0	100
Region–class distribution (%)				
High: London (West End and Central)	6.02	0.24	0	100
High: southern provinces	2.31	0.15	0	100
High: London (suburban)	0.46	0.07	0	100
High: northern England, Wales, and Scotland	14.35	0.35	0	100
Medium: London (West End and Central)	9.72	0.30	0	100
Medium: southern provinces	20.83	0.41	0	100
Medium: London (suburban)	21.30	0.39	0	100
Medium: northern England, Wales, and Scotland	25.00	0.43	0	100

Source: As for tab. 1.

London's borders for at least occasional purchases (given London's nodal position in British road and rail transport links) and could be extended even further via mail order trade. Average sales of central London stores were more than six times those of their suburban counterparts, roughly five times greater than stores in the south, and about four times greater than stores in the 'north'. Conversely, they faced much greater direct competition from other department stores than their provincial counterparts, another factor fostering heavy press advertising. By contrast, stores in the northern provinces were particularly well served by local and regional papers, which had the highest readership levels in these regions.[57] Northern Britain also had larger population centres than the southern provinces, thus providing larger local markets and therefore scale economies for press advertising (table 3).

The differing advertising behaviours of central London stores and those in the other regions distinguishable from the data are summarized in figure 1, which provides decile breakdowns of promotional expenditure across regions. These corroborate the dominance of central London department stores in both press and direct mail advertising. Conversely, 'other advertising expenditure' was dominated by stores in suburban London and the southern region. Unlike the central London stores, these were not located at the centre of major marketing hubs and often dealt with geographically dispersed populations, which had to be positively attracted to make a special visit to their area. Crowd-pulling publicity stunts proved particularly attractive to such stores in drawing the public to establishments that were

[57] Harrison and Mitchell, *Home market* (1936), pp. 104–5. Figures exclude the *Daily Telegraph*, *Morning Post*, and *Times*.

Table 3. *Advertising expenses by region (% of net sales)*

	Advertising expenditure						
Region	*Press*	*Direct mail*	*Other*	*Total*	*Display*	*Total*	*Obs.*
London (West End and Central)	1.72	1.32	0.23	3.10	0.31	3.41	32
London (suburban)	0.12	0.14	0.05	0.27	0.09	0.36	54
Southern provinces	0.07	0.07	0.11	0.34	0.11	0.45	37
Northern provinces	0.42	0.18	0.07	0.67	0.19	0.86	75

Source: As for tab. 1.

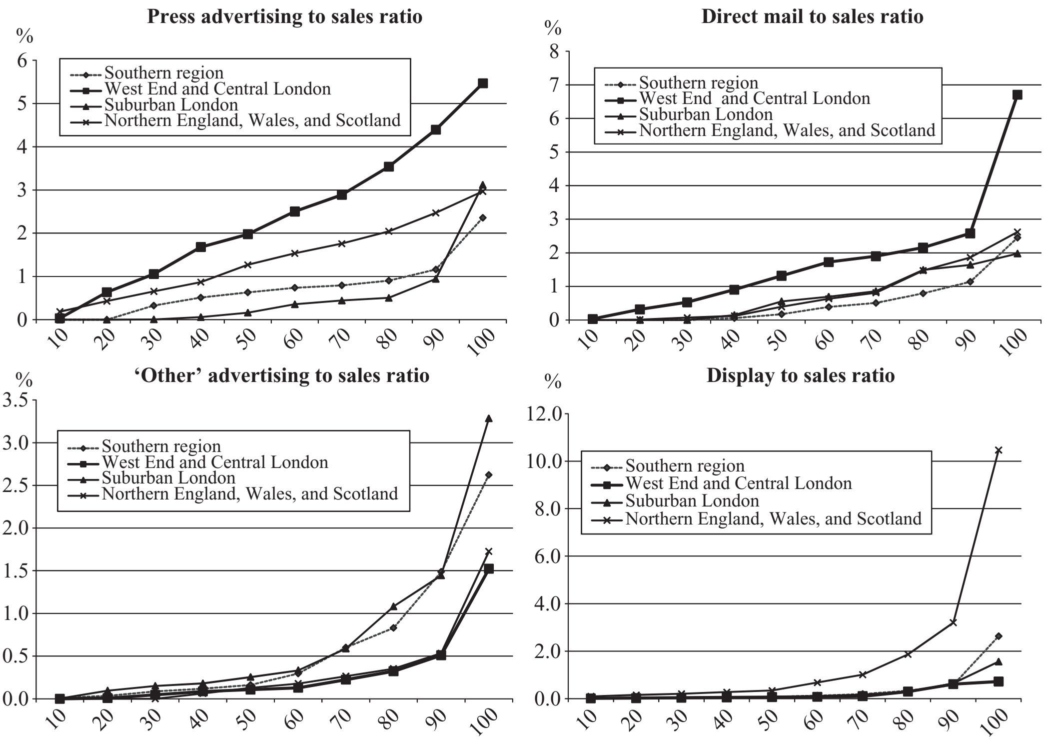

Figure 1. *Distribution of promotional-to-sales ratio across types and regions (centile breakdowns)*
Source: As for tab. 1.

competing for customers not only with other department stores, but with other high streets.

Meanwhile display expenditure was dominated by stores outside southern England. It was in Britain's provincial industrial areas that the trend towards popular department store retailing had been initiated and proved most central to success. Working-class customers who would be intimidated by opulent fittings, counter service, floor walkers, and purchases for which the price was not easily determined in advance of the transaction, found 'Woolworth'-style displays of ticketed goods in shops with linoleum flooring rather than carpets much more accessible.

IV

Given their high fixed costs, department store profits (conventionally measured by net margin, that is, sales revenue minus merchandise and operating costs) can be expected to be highly dependent on throughput, measured by contemporaries using stock-turn rates.[58] Advertising was viewed as a means of increasing stock-turn, which would raise net profits by offsetting operating costs against a greater volume of sales. These relationships were corroborated by Plant and Fowler, who found that high net margins were associated with rapid stock-turn rates and high ratios of publicity to total expenses.[59]

As noted in the introduction, department stores—in common with other advertisers—had no accurate means of gauging the impact of advertising expenditure on sales, or reliable information regarding the mechanisms through which specific types of advertising impacted on their bottom lines. In most cases advertising strategy had no clearly defined objectives, the general view being that keeping the store's name in the public eye would pay dividends. With regard to the level of advertising expenditure, Corkindale and Kennedy's observation that 'in many instances brands are advertised simply because others in the market are advertising' appears plausible.[60] From 1932 the Plant and Fowler surveys provided firms with a clear idea of what their competitors were doing. However, even prior to this, firms could roughly gauge their rivals' press expenditure, by examining their advertising space in local newspapers and calculating its cost.[61]

Returns from display expenditure proved even less amenable to measurement than advertising, as display stands, enlarged windows, and so on were part of the infrastructure of the store, while advertising was transient and variations in expenditure could at least be compared with those in sales. The best that stores could manage was to ascertain the volume of pedestrian and traffic flow passing by their windows. For example, in 1926, when comparing Harrods to two un-named large London stores (presumably on Oxford Street), C. E. Wiles noted that, 'Between the hours of three and four o'clock yesterday, 114 Buses passed Harrods doors, 407 passed one of these stores and 604 passed the other'.[62]

The archival and descriptive data beg two questions for quantitative analysis. First, did promotion provide strong returns to expenditure, and, if so, which promotional media gave the highest returns? Second—given the differing regional strategies—did firms in each region 'optimize' the marketing mix according to local market conditions? Using the detailed breakdowns in the Plant/Fowler data, we address these questions empirically via a set of promotional medium-specific estimations.[63]

[58] Bellamy, 'Size and success'.

[59] Plant and Fowler, *Operating costs*, report for year ending 31 Jan. 1932, pp. 23–5.

[60] Corkindale and Kennedy, *Measuring the effect of advertising*, p. 233.

[61] HCA, HS9/1/49, visit of Retail Research Association to Harrods, 22–9 May 1926, C. E. Wiles, 'Harrods publicity policy and practices', reports such an exercise undertaken by Harrods.

[62] Ibid.

[63] There is an established and ongoing interest in the economics literature on the impact of differing media on firms' performance. Evidence across a range of commodities indicates differential impacts of advertising by media. Examples include Färe, Grosskopft, Selden, and Trembley, 'Advertising efficiency', which examines the US beer market; Silk, Klein, and Berndt, 'Intermedia substitutability', which finds weak substitutability across a variety of media; Pritchett, Liu, and Kaiser, 'Optimal choice', which finds over-expenditure on television advertising, relative to other forms, by US milk producers; and M. S. Goeree, 'Advertising in the US personal

Before examining the impact of differing forms of advertising and promotion on store performance we need to address three methodological issues. The first relates to the fact that, as noted in Schmalensee's seminal 1972 thesis, ideally advertising should measure 'quantity', not 'expenditure'—which reflects both quantity and price.[64] Variations in advertising expenditure over time may reflect changes in advertising costs as well as the number of 'messages' conveyed to consumers; thus nominal advertising expenditures should be deflated using advertising price indices. While there are no annual advertising deflators for this period, prices appear to have been quite stable. General price indices followed a mild deflationary trend, while available evidence indicates that advertising costs did not shift substantially. We have constructed coverage-weighted regional advertising prices, from London Press Exchange data—incorporating British morning, evening, and Sunday newspapers.[65] These data (disaggregated into the London and south-east region, and the regions that equate to our 'northern' region) indicate that there was a 0.32 per cent fall in press advertising costs for London and the south-east over 1934–8, and an average fall of 0.08 per cent elsewhere.[66] Furthermore, we are able to control for these factors at a first approximation by including a full set of time effects in the analysis.

A second caveat is that endogeneity is not accounted for and this may lead to biased estimates.[67] The typical approach employed in the literature is to use instrumental variable methods with time lags and other exogenous variables, and a similar approach will be adopted here. We estimate the net margins equation using two-stage least squares with lagged sales, and real regional employment rates serving to (over)identify the promotion and sales relationship.[68] The regional variables are derived using regional unemployment data, with regional employment data being used to re-weight the administrative regions into the three 'regions' comparable with the survey definitions.[69] The results are that the elasticity of promotion on net margins is 0.66 using OLS and the two-stage least squares estimate is 0.63.[70] In effect, the OLS estimator slightly overestimates the responsiveness of promotion on net margins.[71] However, the results are quite similar, suggesting that endogeneity is not a critical feature of our data.[72] In addition, we

computer industry', Clairmont McKenna College, working paper 2004–09 (2004). More rarely, researchers have found a high degree of substitutability between advertising media. A recent example comes from Frank, 'Media substitution in advertising'. None of these studies, or any others that we are aware of, focus on the regional dimension of advertising promotion that we show to be pivotal.

[64] Schmalensee, *Economics of advertising*, pp. 98–100.

[65] Harrison and Mitchell, *Home market* (1936, pp. 100–10; 1939, pp. 104–14).

[66] The reported changes are derived using the Fisher ideal price index—geometric mean of the Laspeyres and Paasche indices.

[67] Schmalensee, *Economics of advertising*, pp. 98–100.

[68] The structural equations for net margins and promotion forming the basis of the two-stage least squares equation are as follows:
$Promotion_{\mathrm{i,r,t}} = \alpha_0 + \beta_1$ Net $\mathrm{margin}_{i,r,t-x} + \beta_2\ Region_t + \beta_3 Class_t + \beta_4\ Region * Class_{r,t} + \beta_5 year_t + \beta 6 E_{r,t} + \varepsilon_{it}$ where i indexes stores, r regions, and t time. The estimations include regional, class, regional class interactions, and year effects, and E is employment in region r. The specifications are estimated in log-log form. Net $\mathrm{margin}_{\mathrm{i,r,t}} = \alpha_0 + \beta_1\ Promotion_{i,r,t-x} + \beta_2\ Region_t + \beta_3 Class_t + \beta_4\ Region * Class_{r,t} + \beta_5 year_t + \beta 6 E_{r,t} + \varepsilon_{it}$

[69] Employment rates were derived from unemployment and total employment data—sources: Garside, *British unemployment*; Lee, *British regional employment statistics*.

[70] The full set of results is available from the authors.

[71] Cowling and Cubbin, 'Price, quality and advertising', obtained a similar result for the UK car market.

[72] Some earlier studies obtained similar findings. See, for example, Kwoka, 'Sales'; Greuger, Kamerschen, and Klein, 'Competitive effects of advertising'.

employ Hausman's specification test and find, in common with a number of other studies, that the data are not sufficiently simultaneous to create statistical bias, and we may proceed using OLS.[73] From a pragmatic perspective the findings suggest that while we should still be cautious of the implication of using the exact coefficients as a guide to returns, they provide a close first approximation.

A third criticism is that we are using cross-sectional data (with year effects) whereas advertising can be regarded as a long-term capital investment and is therefore unlikely to be fully represented by data for a single year (or, for some firms in the sample, two to three years). However, evidence indicates that department store promotional budgets, as a proportion of net sales, were relatively stable over time. Despite the significant upswing in department store trade over 1931–7, the ratio of promotional expenditure to net sales for a constant sample of 89 stores had a coefficient of variation of only 0.024 (compared to a coefficient of variation for net sales of 0.040).[74] Similarly, archival studies of Harrods, the John Lewis Partnership, and Selfridges all indicate a strong degree of consistency in promotional policy over time, regarding both overall expenditure and mix of media. This is corroborated by data on those department stores that we could identify by name, for which data are available for more than one year, shown in figure 2.[75] With the exception of Palmers, all these stores maintained a fair degree of consistency from year to year, in both the levels and mix of promotional media.

The returns to the various forms of promotion on stores' net margins are presented in table 4. Given the importance of store location and socio-economic class of customers, we include a set of dummies capturing regional and class effects as well as interaction between them (for example, high-class central London stores, medium-class central London stores, and so on). We also include a variable on the size of the regional market to capture aggregate demand.[76] Finally, we include year effects to account for idiosyncratic events impacting across the economy, such as the recovery of the early-to-mid-1930s. However, perhaps not surprisingly—given relatively stable prices both in aggregate and for the central form of promotional expenditure, press advertising—the year dummies were not significant here or in any of the following estimations.[77]

The results suggest that press advertising, contrary to the views of John Lewis's executives and buyers, had a strong positive impact on sales and therefore net margins. Since both the dependent variable and independent variable(s) are log-transformed, we can interpret these as elasticities, that is, as the percentage change

[73] Hausman's test involves estimating a reduced form of an equation explaining advertising and the including the fitted (that is, Net margin = $\alpha_0 + \beta_1$ $Promotion_{,t} + \beta_2$ $Promotion_{,t-1} + \beta_3 Z_t + \varepsilon_t$ where $Promotion_{,t}$ are the fitted values in the net margins equation that also contains actual values of promotion, Z denotes control variables, and the specification was estimated in log-log form). The hypothesis that promotion and error terms are uncorrelated, and thus there is no simultaneity, is tested by the significance level of the lagged promotional term. The resulting coefficient is 1.13 and so is insignificant at conventional levels; Hausman, 'Specification tests'; Berndt, *Practice of econometrics*, pp. 361–416.

[74] Plant and Fowler, *Operating costs*, report for year ending 31 Jan. 1938, p. 44.

[75] Marshall & Snelgrove's smaller regional branches are excluded, owing to the likelihood of overlap in advertising and mail order expenditure between the Leeds store and these branches, as discussed above.

[76] It is arguable that regional demand is the relevant dimension to aggregate demand. For example, it might reasonably be argued that returns to press and certainly direct mail advertising are influenced by national rather then regional sales levels. We experimented with a UK-wide sales variable, however, and the findings were not affected.

[77] A specification which incorporated all the promotional forms in a single model provided similar co-efficients.

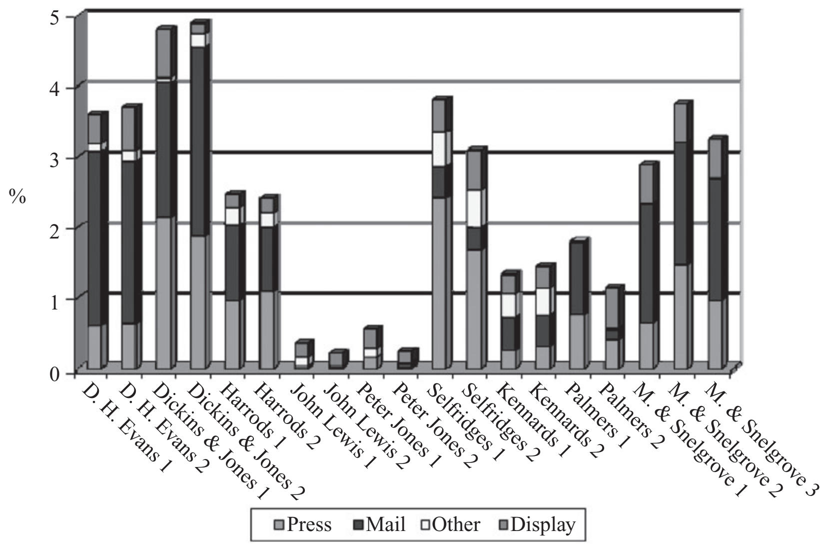

Figure 2. *Composition of promotional expenditure by year for nine department stores with data available for more than one year (% of net sales)*
Source: As for tab. 1.

Table 4. *Net margins and promotional expenditure for British department stores*

Dependent variable: log net margins	*Advertising*						*Display*	
	Press		*Direct mail*		*Event*			
Full sample	*Coefficient*	*t-stat.*	*Coefficient*	*t-stat.*	*Coefficient*	*t-stat.*	*Coefficient*	*t-stat.*
Log promotional form	0.22	(7.80)	0.17	(5.44)	0.15	(1.26)	0.65	(12.51)
Log market size	0.11	(1.40)	0.00	(1.59)	0.00	(1.30)	0.19	(0.89)
Constant	9.62	(6.42)	8.98	(7.76)	7.17	(7.82)	3.39	(1.57)
Regional	YES		YES		YES		YES	
Class	YES		YES		YES		YES	
Year	YES		YES		YES		YES	
No. obs.	198		198		198		184	
R^2	0.39		0.40		0.31		0.62	

Notes: 1. All regressions include sets of regional, class and year and dummies; 2. Robust t-statistics reported.
Source: As for tab. 1.

in net margins when promotion and independent variables are increased by 1 per cent. Hence a 10 per cent increase in press advertising translates into a predicted increase in net margins of 2.2 per cent. Direct mail advertising had a well-defined impact on net margins, increasing them by almost 1.7 per cent for a 10 per cent rise in direct mail spending.

Conversely, 'other' forms of advertising did not provide robust returns. This may reflect an ambiguity in the instructions provided to department stores regarding completion of the schedules (see appendix 1). These stated that non-press advertising should include 'special features, such as trade shows and exhibitions', but did not mention publicity events per se, which raises a suspicion that some firms may have included some expenditure on publicity stunts under 'display'. It is also possible that expenditure on publicity events was a poor reflection of their effectiveness. The archival evidence indicates that the key factor behind success was the presence of a skilled impresario such as Eric Fleming of Bentall's or Jimmy Driscoll of Kennards. The impact of Anita Kittner's diving stunts or 'Koringa and her Crocodile' (who entertained customers at Plummers of Hastings) in pulling in the crowds could not be expected to be as straightforwardly related to the costs involved as was the case for press advertising.

Yet it was display expenditure that provided the most extravagant returns to stores, at a rate of 6.5 per cent. As noted above, the move from counter service to display of goods was one of the key factors increasing the attractiveness of department stores during this period. Being able to walk round the store and see a vast array of displayed merchandise was an attraction to all classes. As Frank Chitham noted, 'there will probably be more motor cars outside Woolworth's or Marks and Spencer stores than any other shop in the locality'.[78]

As we have shown, there were considerable returns to particular media, but investment in such media varied substantially by region. This suggests that there were major regional differences in the returns to alternative media. To get a more precise notion of the impacts of regional promotional strategies, we provide a regionally-specific promotional analysis. Table 5 presents region-specific estimations, starting with the medium that generates the highest rate of promotional expenditure, press advertising. Press advertising expenditure was heavily skewed towards central London stores in absolute terms. However, it also formed over 50 per cent of promotional expenditure for stores in the 'northern' provinces; while southern stores spent less than a third of their promotional budgets on press media, and suburban stores 15.8 per cent. The resulting coefficients point to substantial regional differences in the returns to press advertising, reflecting regional differences in newspaper readership and store size. Stores in the 'northern' region (with the highest returns to press advertising, 4.7 per cent) benefited from the wide readership of their local/regional papers, while large central London stores could profitably tap the national dailies. Conversely, suburban London and southern stores suffered from smaller catchment areas and populations more orientated towards national, rather than local, newspapers.

The second panel of table 5 details returns to direct mail advertising. This was most important for central London stores, which spent an average of around 40 per cent of their promotional budgets on this medium, while stores in the provinces spent around 20 per cent, reflecting these stores' not insignificant direct mail business. Though returns to central London stores are significant, returns for the southern provinces were slightly higher, and the northern provinces, with a 3.2 per cent return, reaped particularly high rewards. Meanwhile suburban London stores appear to have got poor returns from direct mail, as was the case with advertising.

The next two panels provide estimated returns to 'other' advertising (non-press adverts, exhibitions, publicity stunts, and so on) and to display. The results suggest that display impacted strongly on the revenues of stores across the regions, though most forcefully in central London and least in the London suburbs. In contrast, panel 3 suggests that outside London 'other' advertising did not have a marked

[78] HCA, HS 9/1/17, Frank Chitham, 'London department stores: their organization and the effect of competition on their present position and future prospects', report, 22 June 1938.

Table 5. *Net margins and promotion by promotional media*

Dependent variable: log net margins	*Southern region* Coefficient	t-stat.	*London (West End and Central)* Coefficient	t-stat.	*London (suburban)* Coefficient	t-stat.	*Northern England, Wales, and Scotland* Coefficient	t-stat.
Press								
Log press advertising	0.11	(2.05)	0.24	(2.06)	0.02	(0.89)	0.47	(10.14)
Constant	8.97	(3.08)	9.43	(2.04)	9.15	(6.01)	8.04	(6.31)
Class dummies	YES		YES		YES		YES	
Year dummies	YES		YES		YES		YES	
No. obs	54		32		37		75	
R^2	0.17		0.24		0.29		0.74	
Direct mail								
Log direct mail advertising	0.09	(1.95)	0.08	(2.42)	0.06	(1.03)	0.32	(8.92)
Constant	11.20	(20.27)	10.73	(7.31)	2.68	(5.00)	10.81	(16.60)
Class dummies	YES		YES		YES		YES	
Year dummies	YES		YES		YES		YES	
No. obs.	54		32		37		75	
R^2	0.06		0.11		0.27		0.05	
'Other' adverting								
Log 'other' advertising	0.03	(0.51)	0.44	(0.03)	0.29	(1.66)	0.02	(1.83)
Constant	8.01	(3.05)	4.13	(0.80)	8.70	(5.17)	7.24	(1.82)
Class dummies	YES		YES		YES		YES	
Year dummies	YES		YES		YES		YES	
No. obs.	54		32		37		75	
R^2	0.06		0.16		0.29		0.06	
Display								
Log display	0.60	(6.92)	0.75	(7.57)	0.45	(5.41)	0.61	(14.16)
Constant	1.02	(1.02)	1.56	(0.81)	6.75	(4.90)	7.30	(7.36)
Class dummies	YES		YES		YES		YES	
Year dummies	YES		YES		YES		YES	
No. obs.	46		32		37		69	
R^2	0.76		0.41		0.56		0.90	

Notes: 1. All regressions include sets of regional, class, and year dummies. 2. Regional sales are also included to capture aggregate demand but are never significant and so are not reported. 2. Robust t-statistics reported.
Source: As for tab. 1.

effect on store net margins. Meanwhile both central and suburban London stores reaped strong returns from this form of expenditure.

Table 6 provides a summary of the estimated expenditure-weighted returns to promotion by region (by multiplying the marginal impact of each medium by the actual outlay on that medium). As a heuristic to indicate the magnitude of the effects, we also calculate the returns against net margins. Comparing table 6 with table 5, it is evident that the London suburban and southern provincial stores reaped relatively low returns to promotional expenditure. Central London stores fared much better, but their returns, relative to net margins, were dwarfed by those of stores outside the south of England. Stores in central London and in 'northern' Britain reaped the highest returns from press advertising, as their target markets were particularly well served by, respectively, the national and local press. Stores in these areas also accrued substantial returns from direct mail relative to suburban London and southern provincial stores. 'Other' advertising did not impact significantly in any region, while display impacted heavily in all regions, being the only significant revenue generator in the London suburbs and the south.

Table 6. *Mean returns to promotional activity*

	Southern region	*London (West End and Central)*	*London (suburban)*	*Northern England, Wales, and Scotland*
Press	184	5,726	—	2,753
Direct mail	90	1,511	—	788
'Other'	—	—	—	—
Display	766	3,290	728	1,634
Total	1,041	10,527	728	5,176
Returns % (promotion/net margin)	5.9	9.7	4.5	23.8

Notes: 1. Returns by medium are derived by multiplying the marginal impact of each medium by the actual outlay on that medium. 2. Where coefficients are 'insignificantly different from zero' they are treated as being zero. 3. The extent that promotional returns effected net margins is expressed as a proportion in percentage terms.
Source: As for tab. 1.

The main thrust of these results is to show that the advantages of promotional expenditure accrued disproportionately to department stores in regions where national or local newspaper readerships were concentrated on the stores' main catchment areas. Meanwhile stores in southern market towns or London suburbs faced limited and, often, dispersed catchment areas, which were less suitable for press advertising. Similarly, lacking a strong brand image, they were less able to extend their brand via mail order business. Instead they focused on display, to increase their appeal to local customers and thus maximize their limited customer base.

V

Major department stores retained and expanded their profitability, despite rising competition from multiples with extensive branch networks that often spilled over into suburban shopping parades. Promotional activity proved key to bringing in custom to their centrally located stores, both directly and via mail order trade. It was these classic department stores, centrally located within large towns and cities, which had the highest advertising spends and reaped the greatest returns. Conversely, stores with more limited catchment areas, in the London suburbs or southern market towns, had a promotional spending mix more akin to their multiple chain competitors, with relatively low press or mail order advertising and most of their promotional budgets devoted to display.

Advertising, direct mailings, display, and promotional events were used increasingly for the same broad purpose—to imprint a clear brand image on the minds of the consuming public, which would be appealing to the market segments that they targeted and would differentiate them from their competitors. However, despite a strong general relationship between promotional spending and net margin, there was no single, deterministic route to this goal. As the example of the John Lewis Partnership shows, even the absence of advertising and rejection of 'modern' window display methods could be used effectively to sustain a strong brand image of quality goods at low prices and thus successfully differentiate themselves from their competitors. In general, however, promotional activity appears to have made an important contribution to the continued prosperity of British department stores which (in contrast to their US counterparts) managed to hold their own in the battle against the expanding chain stores and substantially increase their share of total retail sales over the interwar years.[79]

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[79] Jefferys, *Retail trading in Britain*, pp. 59–61, 325–6. See above, n. 4, for Jefferys's definition of a department store. Most other definitions (including those applied by contemporary department stores) were broader than this.

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APPENDIX I: THE SURVEY DEFINITIONS OF PROMOTIONAL EXPENDITURE

Impersonal

A. GENERAL ADVERTISING.

(1) Press.
Charge here the cost of space purchased in all newspapers and magazines, cost of blocks and fees to outside artists and agencies, including advertising consultants who render services in connection with advertising.

(2) Direct mail.
Charge here the cost of all printed matter and periodicals which are posted to customers, enclosed in customers' packages or distributed from house to house. The cost of materials, including the cost of blocks, of printing, and of stationery shall be included, as well as fees to outside artists where not included under (1). Include also the cost of postage on all direct mail advertising, and the cost of house to house distribution, as well as the cost of maintenance, repairs and depreciation of multigraphs or similar printing machines.

(3) Other Advertising.
Charge here all other miscellaneous advertising expenditure, such as cost of space purchased in programmes, trams, omnibuses, and on hoardings, cinema performances, including the cost of materials and of printing.
Charge also the total cost of special features, such as trade shows and exhibitions.

B. DISPLAY

Charge here all supplies used in interior and exterior decoration or display, including hire of equipment. Charge also supplies purchased for ticket-writing and the cost of ticket-writing by contractors, as well as the cost of maintenance, repairs and depreciation of ticket-writing machines and other display equipment.

Total Publicity (Impersonal)

Personal

NOTE.—All Salaries and Wages should include National Insurance Contributions where paid, and a proportionate charge for Housekeeping, if provided.

C. GENERAL ADVERTISING.

Charge here the salaries of the publicity manager and assistants and of the following members of the staff; copywriters, proof readers, typists, and all others engaged in the preparation of advertising copy, artists, photographers, and generally those engaged in postal advertising and other activities of an advertising nature not chargeable to any other division.

D. DISPLAY

Charge here the salaries of the display manager and assistants, and the wages of full-time ticket-writers and window dressing staff, and of those employed on the construction, erection, and removal of displays.

Source: British Library of Economic and Political Science Archives, London, Coll Misc 0330, RDA, anonymized survey schedule forms for years ending 31 Jan. 1932 and 1935–7.

APPENDIX 2: NET MARGINS AND PROMOTION (IN LOG FORM)

	OLS		*IV*	
Full sample	*Coefficient*	*t-stat.*	*Coefficient*	*t-stat.*
Promotion	0.66	(7.80)	0.63	(5.90)
Constant	9.62	(6.42)	8.98	(7.76)
Regional	YES		YES	
Class	YES		YES	
Year	YES		YES	
No. obs	95		95	
R^2	0.63		0.63	

Notes: 1. In all regression sets of regional, class and year dummies;
2. Robust t-statistics reported.
3. Instrumental variables are lagged net sales and regional unemployment rates.
Source: As for tab. 1.